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## China, Peoples Republic of

### Grain and Feed

## China's corn production in 2003 forecast to fall further

### 2003

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**Report Highlights:**

China's production of corn in 2003 is forecast below USDA's previous estimate of 118.0 million MT's as the result of reduced planting area to corn, a drought in the early spring in China's Northeast and excessive rain during the later corn growth stages. The outlook is based on observations during the agriculture attaché's recent trip to NE China.

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**China's corn production during 2003 below previous forecast**

The agricultural attaché recently traveled to the Heilongjiang and Jilin Provinces, key corn growing areas in China, to assess the status of this year's corn crop. Based on post's first-hand observations and discussions with farmers, the 2003 corn crop is forecast significantly below last year's harvest of 121.3 million MT's because of 1) slightly reduced planting area to corn, 2) a drought in the early spring in China's Northeast and 3) excessive rain during the later corn growth stages.

As a result, post will likely reduce USDA's current estimate for China's 2003 corn crop, 118.0 million MT's, once we receive preliminary harvest information later this year. Weather patterns the next couple of weeks will also influence the harvest volume.

This report updates post's most recent grain report, CH3094, from June 4, 2003.

**Corn farmers turn to the free market as Chinese Government scales back the state grain purchase and storage program**

Planted corn area in China has gradually declined since 1999. In 2001 acreage did recover slightly. However, corn farmers in NE China report it is difficult to switch to alternate crops while still maintaining income security. Thus, no drastic shift from corn to other cash crops is expected in the years to come.

Farmers in NE China report they are relying less on procurement and storage of corn by the state because they are increasingly able to sell their corn through private channels and seek the highest price for their product.

The Chinese Government appears to be scaling back expenditures on the purchase of corn. For example, farmers in the Northeast reported the government is reducing the level of the corn "protective price" (i.e. purchase price) and the volume of corn to be purchased.

**China's corn stocks trending downward following China's aggressive corn exports the past three years**

Based on post's observations of corn reserves held in state, provincial, and private grain facilities, China's corn stocks continue to fall due to significant export levels in recent years reaching almost 14 million MT's annually. Corn stocks are also falling because the Chinese Government is apparently reducing subsidies for grain held in commercial and provincial facilities.

Post will provide an updated production, supply and demand (PSD) table when preliminary figures are available.